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STATISTICAL BULLETIN

Volume 17, No. 5, May, 1984

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The Conference Board

COMMENT

George Orwell was onto something; 1984 is, indeed, turning out to be a very decisive year for the economy. As the year began, the resurgence in business investment was delineated by the transition from a consumer-led recovery to an investment-sustained expansion. After 18 months of high economic growth, however, business activity is facing an encounter of another kind. Faced with the combination of prolonged high real interest rates, large Federal Government and international trade deficits, and an overvalued dollar in the exchange markets, this economy cannot continue to grow at a fast clip *and* keep the lid tightly wound on inflation.

Credit demand, despite its high cost, has been very strong over the last 18 months and has become even more intense of late. Consumers, confident in the strength of recovery and needing to replenish household stocks of furniture, appliances, cars, and so on, frequently resorted to buying on credit early in this expansion. As the chart on *Consumer Installment Debt Expansion to Personal Income* shows, households' credit demand remained strong through the first few months of 1984.

Business investment in new plant and equipment began to turn around in the second half of 1983. Early returns to The Conference Board's *Capital Appropriations and Expenditures* survey point to gathering momentum for a resurgence of capital spending in 1984. Further, business is also busy restocking its shelves. Inventory buildup played a significant part in the strong showing of real output growth in the first quarter of 1984. All this activity has resulted in substantial business borrowing. As indicated on the *Status of Leading Economic Indicators* table, business loans have been rising very sharply in the first half of 1984.

The line at the lending window is now three-deep—consumers, business and the Federal Government. The consumer and the government have been on line for a while, certainly all through 1983. Last year, market activity was orderly and interest rates, although unusually high for so early a phase of the business cycle, remained relatively stable. Indeed, an influx of foreign capital, attracted by the high rates and the high value of the dollar, augmented the availability of loanable funds and thus helped to keep rates from rising, despite increasing credit demand. Things began to change, however, after the start of the new year.

Two is company; three is a crowd. When business stepped up to the lending window early in 1984, crowding became an apt description of the lending line. While loan demand intensified, the influx of foreign capital did not. The Federal Reserve, for its part, has attempted to keep the flow of money into financial markets in relatively tight check (see the *Money Supply and Monetary Targets* chart). As a result, already high short-term interest rates have climbed sharply. The prime rate moved from 11% at the beginning of 1984 to 11½% in mid-March, to 12% in early April, and to 12½% in early May. It is not out of the question to expect that the prime rate may go even higher—perhaps to 13½%—in the second half of the year.

Monetary authorities are once again caught in the dilemma that rates have risen and will continue to rise whether money supply expansion is increased or restrained. Faster money growth now sets off monetarist fears that that leads to more inflation later. The elevated inflationary expectations are built into current premiums in interest rates. Continued monetary restraint, on the other hand, puts pressure on rates as long as credit demand remains so high. One crucial prop in the background of this scene is the widespread disbelief that inflation is, and will remain, relatively well in check.

On the basis of both Federal Reserve announcements and the trend in the money-supply data, the monetary policy stance seems to be to maintain a tight rein on money growth, thereby keeping the lid on inflation sealed. The problem this stance encounters is how much monetary restraint the system can absorb without losing the forward momentum of economic expansion. The *Economic Forecasts* indicate that the pace of activity in all markets can be expected to diminish over the next year or so. Expectations of slower economic growth rest partly on the hikes in interest rates. Tax hikes (later this year or early in 1985—in an effort to reduce the Federal Government's budget deficit) will also drain the system of some of its energy. Finally, a substantial decline in the value of the dollar, which may not occur before late 1985, would further grease the track down to a slower pace of activity.

The truth of the matter is that growth of real output has, in fact, been slowing gradually since mid-1983. Real GNP rose by a seasonally adjusted 9.7% annual rate in the second quarter of 1983. It then grew by 7.6% and 5.0% in the third and fourth quarters of 1983, respectively. This

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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845 Third Avenue
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The Conference Board, Inc.
Avenue Louise, 207 Bte 5
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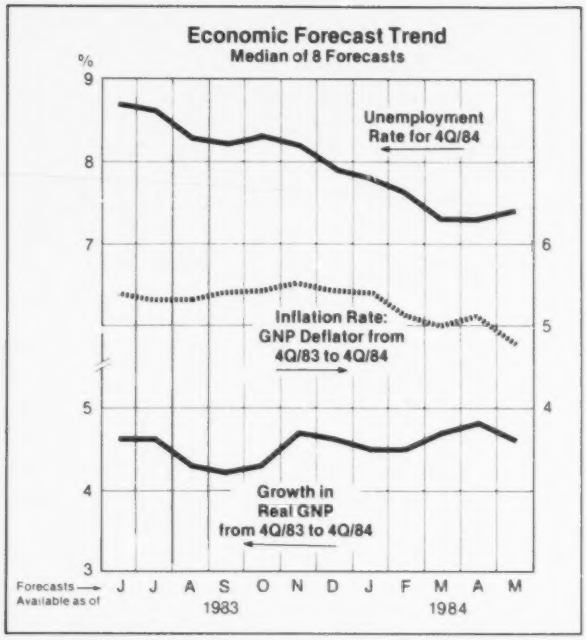


trend continued in the first quarter of 1984, but one has to look at the numbers rather carefully to see it. Constant dollar GNP did indeed rise by 8.3% in the first quarter. Inventory accumulation, however, accounts for a little more than half of that gain. Final sales (GNP minus the change in inventory) increased at a 3.6% annual rate. That last number is the one to focus on. Undoubtedly, the restocking of the shelves has not been completed, but the change in inventory is not likely to be as great from here on out as it was in that first quarter.

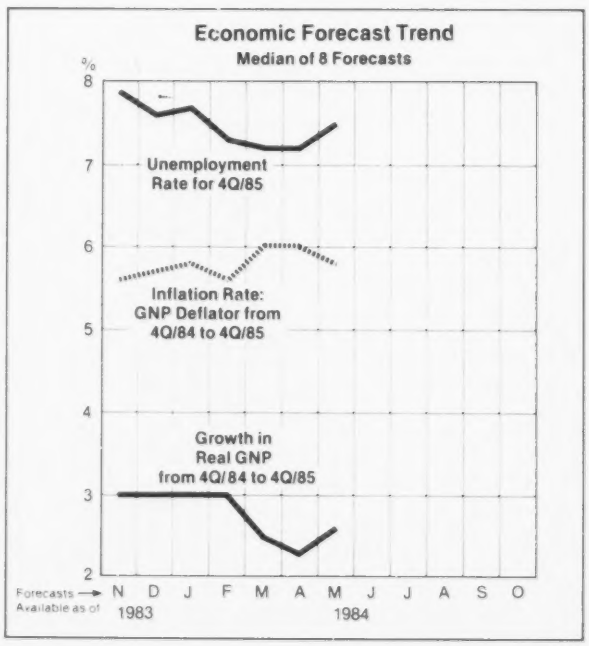
The uneven pace of inventory buildup, as well as the erratic weather patterns plaguing the country for the second successive Spring, make the job of forecasting the pace of economic expansion in the second quarter almost impossible. Retail sales, adjusted for inflation, were at about the same level in April as they were in January. Nevertheless, industrial production rose 1.4% in April, suggesting that some inventory replenishment is continuing. The *Economic Forecasts,* put together before these April figures became availabie, indicate that the economy is growing by between 2.3% and 5.2% in the second quarter, with a median of only 2.8 percent. That wide dispersion reflects the uncertain conditions prevailing at present.

The median expected rate of real output growth is 4.2% in the third quarter, and 3.4% in the fourth quarter of 1984. These forecasts imply that, while the economy is no longer growing at the very quick pace set earlier in this expansion, considerable strength remains in both consumer and investment demand. The forecasts further imply that real growth will slow to a more sluggish pace in 1985, under the weight of restraint on both monetary and fiscal policy and some slide in the value of the dollar. The median forecast of real GNP growth slows to 3.2% in the first quarter of 1985, and to only about 2½% to 3% in the last three quarters of the year. It is expected to be at a rate of only about 2½% in the first half of 1986.

The reduction in economic growth implies that the swift improvement in the national unemployment rate has come to an end. The Conference Board's *Help-wanted Index* stood at 124 (1967 = 100) in March, not much higher than the 123 level recorded in January—and early returns indicate that it probably did not change at all in April. This suggests that business is no longer intensifying efforts to recruit new job applicants—which helps to explain why the unemployment rate stayed at 7.8% in April, for the third month in a row. The *Economic Forecasts* indicate that the rate will only improve to about 7.3% by the end of this year. Given the expected sluggish pace of economic growth in 1985, the unemployment rate may move back toward 7½% by the end of 1985.

These economic projections suggest that the expansion will not be any stronger unless monetary and fiscal restraint are relaxed. That will not happen unless inflation remains subdued and markets become convinced that it will remain in check. The rate of increase in raw material prices, including food prices, is running at or under 6% at present. The other big factor in price moderation is wage moderation. The data on the *Key Determinants of Profit Margins* chart show that the rate of wage gain is also running under a 6% annual rate. The early signs of higher inflation will show up first, in all likelihood, either in higher raw material prices or in larger wage gains. The *Economic Forecasts* indicate that the GNP deflator, which rose by only 4.1% in the first quarter of 1984, will gradually quicken to something closer to a 6% rate by this time next year but will not go much beyond that through the forecast horizon (second quarter of 1986).

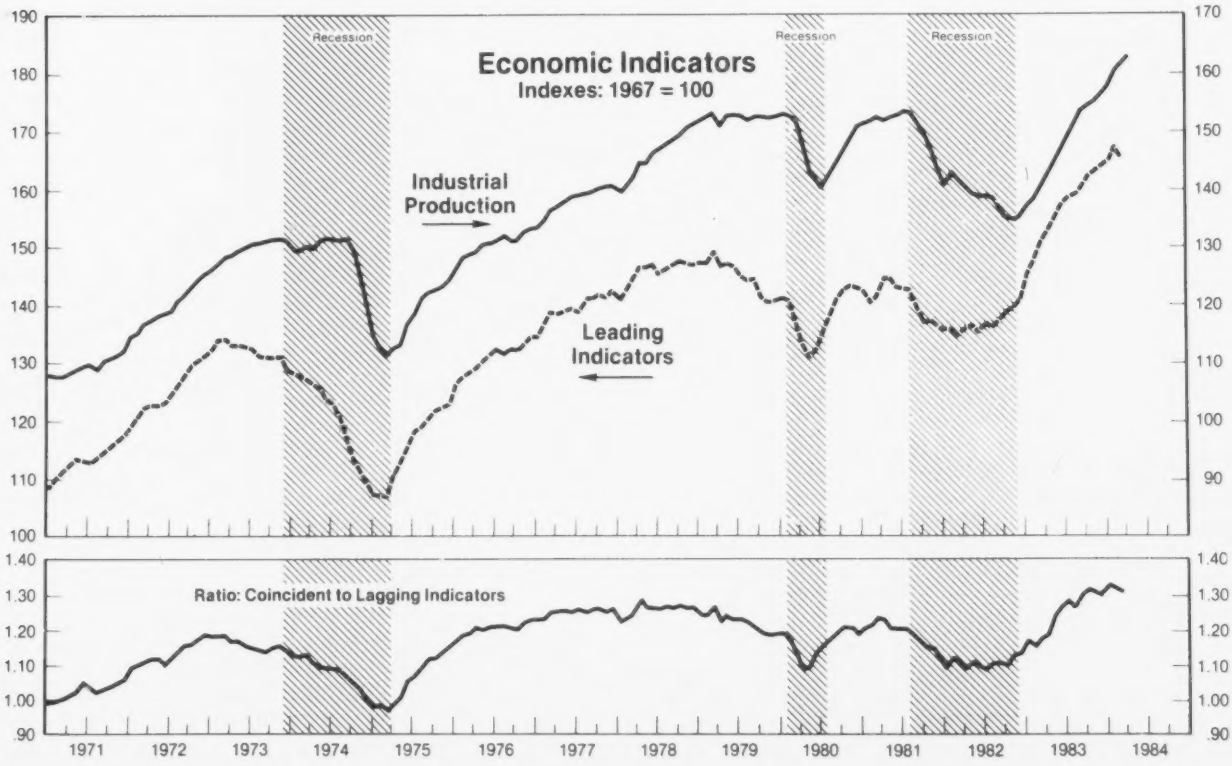
Ken Goldstein
May 14, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 0.9%	+ 10.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.	X			+12.6%	+ 23.2%
New orders, nondefense capital goods (deflated)	Mar.	X			+10.9%	+ 25.7%
*New business formation	Mar.		X		+ 1.4%	+ 4.6%
*Housing permits	Mar.		X		+10.6%	+ 16.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		— 1.2%	+ 17.0%
*Change in inventory, on hand & order (deflated)	Feb.	X			+ 3.5%	+ 41.2%
Purchasing agents' buying policy	Apr.		X		— 2 %	+ 9 %
*Vendor performance, reported slower deliveries	Mar.	X			+ 5 %	+ 22 %
Industrial raw materials prices	Apr.	X			+ 1.9%	+ 14.1%
*Change in sensitive material prices	Mar.			X	— 0.6%	— 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.		X		+ 0.2%	+ 2.9%
Change in business loans	Mar.	X			+78.3%	+115.2%
*Change in credit outstanding	Feb.		X		+ 3.8%	+ 13.0%
Change in consumer installment debt	Feb.	X			+23.3%	+ 70.5%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.5%	+ 24.5%
*Common stock prices	Apr.			X	— 5.5%	— 0.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.	X			+ 0.2hr	+ 1.1hr
*Initial unemployment claims (inverted)	Apr.	X			+ 3.8%	+25.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



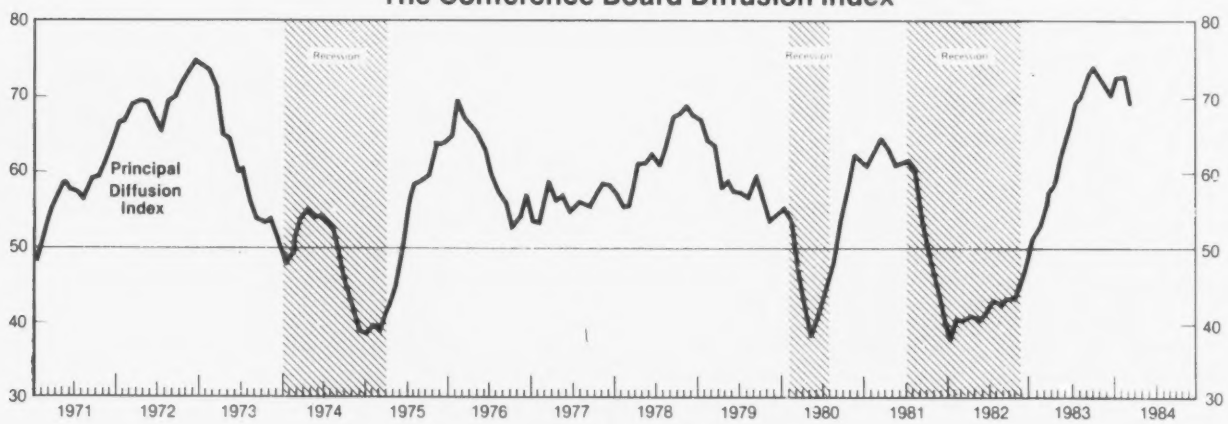
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Mar.	1983 Dec.	1984 Jan.	1984 Feb.	1984 Mar.(e)
Principal Diffusion Index	55.8r	70.6r	72.7r	72.8r	69.2
Auxillary Diffusion Index	65.4r	44.5r	56.9r	50.3r	38.4
Industrial Group	54.3r	75.4r	77.4r	80.2r	77.1
Nonindustrial Group	57.2	65.8r	67.9r	65.4r	61.4
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	56.6	64.1r	63.0r	67.1r	68.6
Labor	52.7r	81.5r	84.7r	86.3r	78.1
Miscellaneous	56.4	76.9	80.8	84.6	87.2
Nonindustrial Subgroups					
Prices	67.3	64.1r	68.6r	57.7r	63.5
Consumer	67.1	77.4	76.1	75.2r	68.4
Building	42.3	56.4	62.8	61.5r	52.6
Miscellaneous	50.6	61.5r	62.8r	63.2r	59.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981		*1982*				*1983*				*1984*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	57	43	47	52	55	60	70	76	75	74	70
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	26	23	30	38	44	65	76	82	80	76
2. Expectations for Economy, Six Months Ahead	63	51	59	64	65	70	76	78	74	73	67
Expectations for Own Industry, Six Months Ahead	60	52	58	61	61	65	70	72	69	70	70

The Measure of Business Confidence is the average of the scores for the three primary questins in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

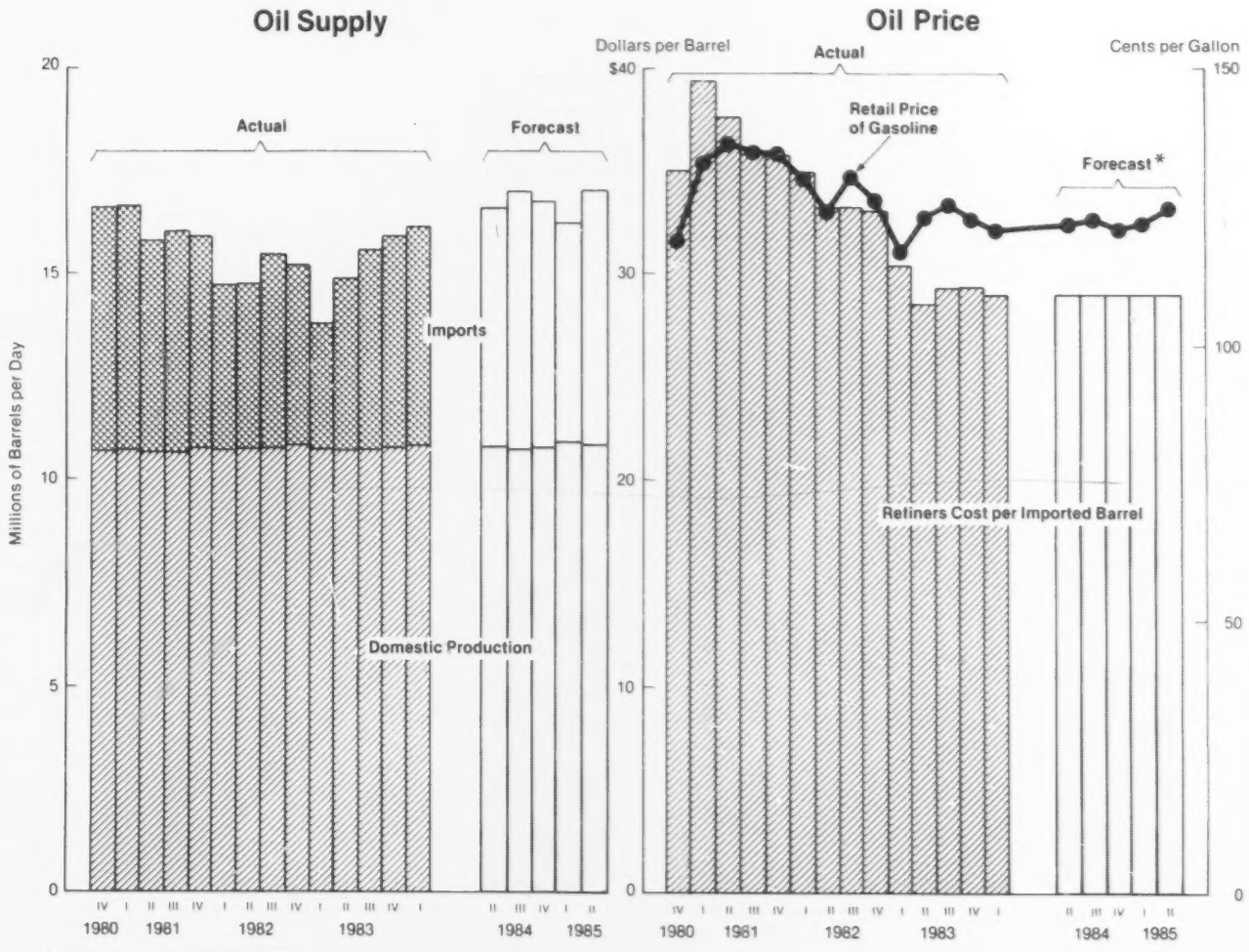
	1982			1983				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.025	18.439	21.488	20.176	20.633	22.200	25.071	-18	1	21
Capital expenditures	25.552	23.991	22.887	18.841	18.643	18.072	20.331	- 3	-23	23
Change in appropriations backlog*	-7.326	-8.726	-3.395	-0.716	+1.121	+1.008	+1.324			
Durable Goods										
New appropriations	7.398	7.724	8.238	8.197	9.453	8.843	11.447	-24	17	3
Capital expenditures	10.505	9.684	8.949	7.918	7.655	7.594	9.104	- 7	-19	20
Change in appropriations backlog*	-3.903	-4.556	-1.351	-0.606	+1.291	+0.929	+1.249			
Nondurable Goods										
New appropriations	12.627	11.215	13.250	11.979	11.180	13.357	13.624	-14	-9	34
Capital expenditures	15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	-26	25
Change in appropriations backlog*	-3.423	-4.170	-2.044	-0.110	-0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	8.795	10.624	9.939	7.664	6.713	5.771	7.202p			
Capital expenditures (r)	8.846	8.905	9.384	9.041	9.292	9.043	8.349p			
Change in appropriations backlog* (r)	-1.825	+0.504	-4.709	-4.812	-7.024	-3.925	-3.755p			

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

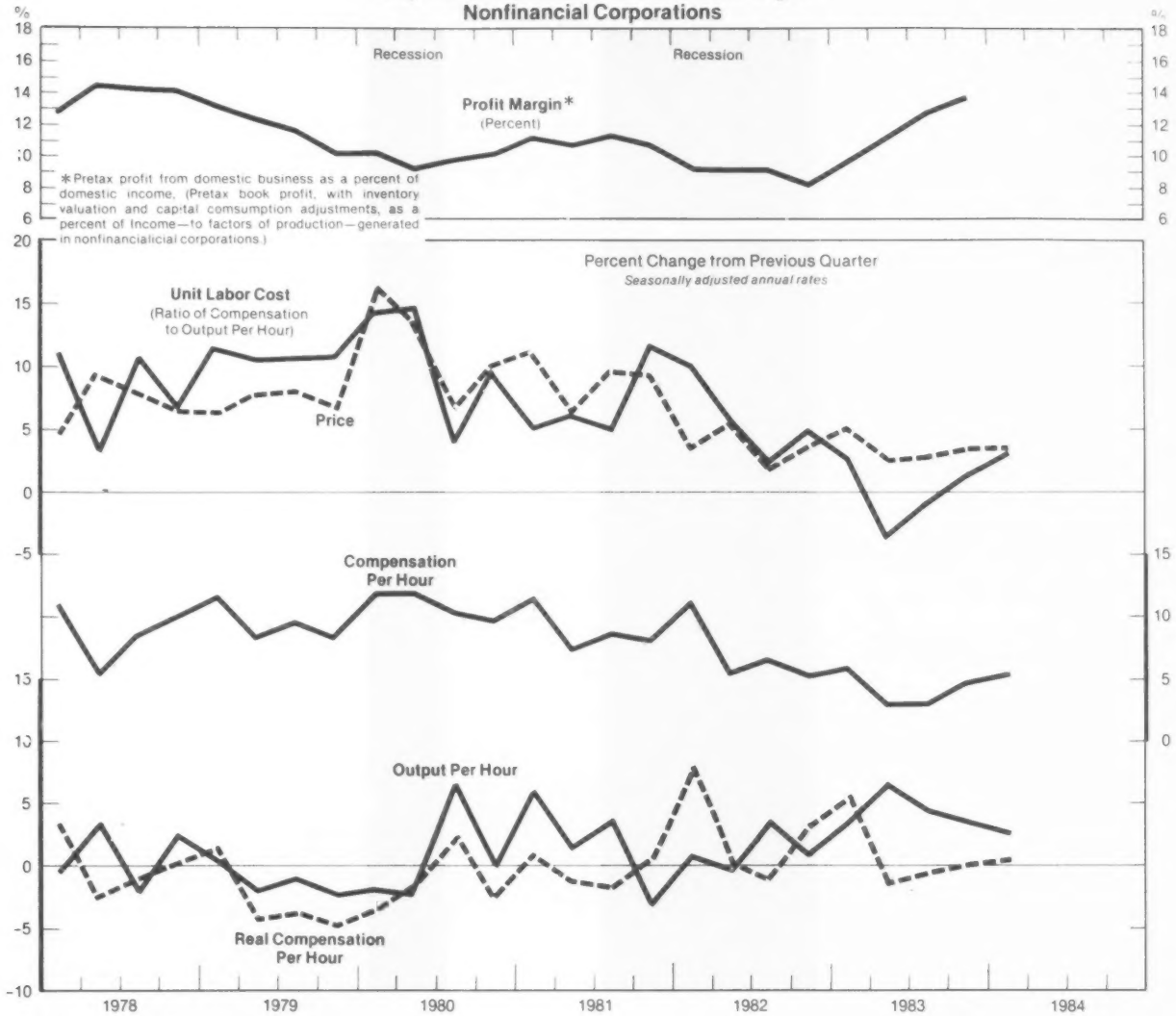
** Results based on survey respondents' expectations.



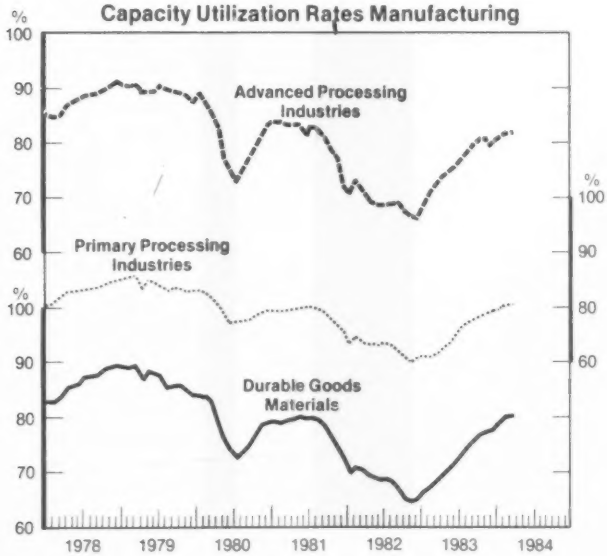
*Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin

Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Apr., 1984*		*Apr., 1984*		*Apr., 1984*		*Apr., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3541.2**	**12.8%**			**$3541.2**	**12.8%**	**$3541.2**	**12.8%**
		II	3626.6	10.2	$3603.7	7.9%	3601.4	7.0	3602.6	7.1
		III	3715.6	9.9	3697.3	10.8	3670.2	7.9	3675.2	8.3
		IV	3804.6	9.9	3793.1	10.8	3748.7	8.8	3749.1	8.3
	1985	I	3887.3	9.0	3886.6	10.2	3846.6	10.9	3838.9	9.9
		II	3969.7	8.8	3975.7	9.5	3936.2	9.6	3921.0	8.8
		III	4054.0	8.8	4023.4	4.9	4029.3	9.8	3999.9	8.3
		IV	4136.9	8.4	4088.6	6.6	4121.1	9.4	4077.7	8.0
	1986	I	4216.3	7.9						
		II	4296.2	7.8						
	1984	Annual	3672.5	10.9	3657.5	10.5	3640.4	10.0	3642.2	10.0
	1985	Annual	4012.0	9.2	3993.6	9.2	3983.3	9.4	3959.4	8.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1604.3**	**8.3%**			**$1604.3**	**8.3%**	**$1604.3**	**8.3%**
		II	1624.8	5.2	$1611.2	2.5%	1615.0	2.7	1613.4	2.3
		III	1643.9	4.8	1629.4	4.6	1624.0	2.2	1624.4	2.8
		IV	1661.3	4.3	1647.1	4.4	1637.0	3.2	1636.9	3.1
	1985	I	1674.4	3.2	1660.0	3.2	1658.0	5.2	1652.3	3.8
		II	1686.0	2.8	1670.1	2.5	1675.0	4.2	1665.6	3.3
		III	1697.3	2.7	1655.1	-3.5	1693.0	4.4	1675.5	2.4
		IV	1706.6	2.2	1668.9	3.4	1710.0	4.1	1681.8	1.5
	1986	I	1714.2	1.8						
		II	1720.6	1.5						
	1984	Annual	1633.6	6.4	1622.3	5.7	1620.1	5.5	1619.8	5.5
	1985	Annual	1691.1	3.5	1663.5	2.5	1684.0	3.9	1668.8	3.0
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.7**	**4.1%**			**220.7**	**4.1%**	**220.7**	**4.1%**
		II	223.3	4.8	223.7	5.3%	223.0	4.2	223.3	4.7
		III	226.0	4.9	226.9	5.9	226.0	5.5	226.2	5.4
		IV	229.0	5.5	230.3	6.1	229.0	5.4	229.0	5.0
	1985	I	232.2	5.6	234.1	6.8	232.0	5.4	232.3	5.9
		II	235.5	5.8	238.1	6.9	235.0	5.3	235.4	5.4
		III	238.8	5.9	243.1	8.7	238.0	5.2	238.7	5.8
		IV	242.4	6.1	245.0	3.2	241.0	5.1	242.5	6.4
	1986	I	246.0	6.0						
		II	249.7	6.2						
	1984	Annual	224.8	4.3	225.4	4.6	224.7	4.2	224.8	4.3
	1985	Annual	237.2	5.5	240.1	6.5	236.5	5.3	237.2	5.5
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.6		7.7		7.7		7.6	
		III	7.4		7.5		7.5		7.5	
		IV	7.4		7.3		7.4		7.4	
	1985	I	7.4		7.2		7.3		7.4	
		II	7.5		7.2		7.1		7.2	
		III	7.5		7.6		7.0		7.1	
		IV	7.6		7.8		6.9		7.1	
	1986	I	7.6							
		II	7.6							
	1984	Annual	7.5		7.6		7.6		7.6	
	1985	Annual	7.5		7.5		7.1		7.2	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) fourth quarter data.

[2]Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

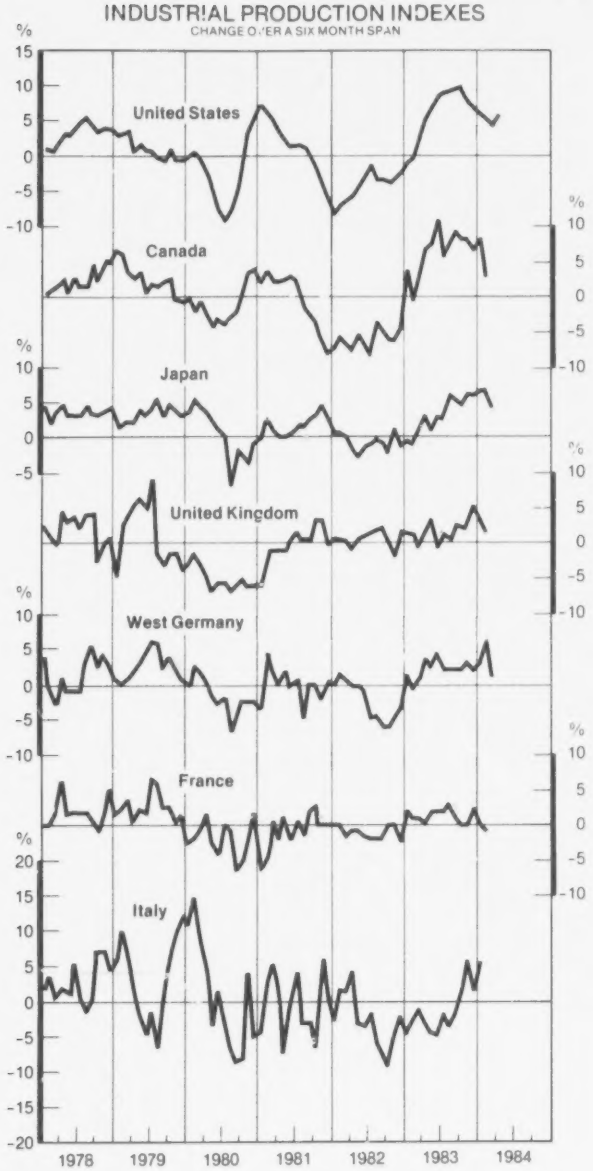
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]		Date of Forecast		
Apr., 1984		Apr., 1984		Apr., 1984		Apr., 1984				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3541.2	**12.8%**	**$3541.2**	**12.8%**	**$3541.2**	**12.8%**	**$3541.2**	**12.8%**	**I**	**1984**	**Actual**
3609.0	7.9	3599.2	6.7	3609.1	7.9	3615.1	8.6	II		
3691.0	9.4	3685.2	9.9	3683.7	8.5	3700.0	9.7	III		
3766.0	8.4	3767.5	9.2	3746.8	7.0	3777.1	8.6	IV		
3812.0	5.0	3845.9	8.6	3815.5	7.5	3861.5	9.2	I	1985	
3895.0	9.0	3899.4	5.7	3881.1	7.1	3929.1	7.2	II		
4009.0	12.2	3960.1	6.4	3958.7	8.2	4001.4	7.6	III		
4115.0	11.0	4038.7	8.2	4047.9	9.3	4062.3	6.2	IV		
		4139.0	10.3	4133.8	8.8	4110.6	4.8	I	1986	
		4245.1	10.7	4222.1	8.8	4169.2	5.8	II		
3651.8	10.3	3648.3	10.2	3645.2	10.1	3658.4	10.5	Annual	1984	
3957.8	8.4	3936.0	7.9	3925.8	7.7	3963.6	8.3	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1604.3	**8.3%**	**$1604.3**	**8.3%**	**$1604.3**	**8.3%**	**$1604.3**	**8.3%**	**I**	**1984**	**Actual**
1615.6	2.8	1615.7	2.9	1619.2	3.8	1618.9	3.7	II		
1630.3	3.7	1633.4	4.5	1634.8	3.9	1636.9	4.5	III		
1638.4	2.0	1649.4	4.0	1643.6	2.2	1651.0	3.5	IV		
1637.2	-.3	1658.9	2.3	1651.7	2.0	1663.5	3.1	I	1985	
1650.5	3.3	1659.5	.1	1659.4	1.9	1671.5	1.9	II		
1673.1	5.6	1662.4	.7	1671.0	2.8	1680.2	2.1	III		
1691.2	4.4	1670.7	2.0	1684.7	3.3	1682.6	.6	IV		
		1683.8	3.2	1696.3	2.8	1676.1	-1.5	I	1986	
		1699.9	3.9	1708.8	3.0	1674.6	-.4	II		
1622.1	5.7	1625.7	5.9	1625.5	5.9	1627.8	6.0	Annual	1984	
1663.0	2.5	1662.9	2.3	1666.7	2.5	1674.5	2.9	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.7	**4.1%**	**220.7**	**4.1%**	**220.7**	**4.1%**	**220.7**	**4.1%**	**I**	**1984**	**Actual**
223.4	4.9	222.8	3.7	222.9	4.0	223.3	4.7	II		
226.4	5.5	225.6	5.2	225.3	4.4	226.0	5.0	III		
229.9	6.3	228.4	5.1	228.0	4.8	228.8	4.9	IV		
232.8	5.3	231.8	6.1	231.0	5.4	232.1	6.0	I	1985	
236.0	5.5	235.0	5.5	233.9	5.1	235.1	5.2	II		
239.6	6.3	238.2	5.2	236.9	5.3	238.2	5.4	III		
243.3	6.3	241.7	6.0	240.3	5.8	241.4	5.6	IV		
		245.8	6.9	243.7	5.8	245.2	6.5	I	1986	
		249.7	6.5	247.1	5.7	249.0	6.2	II		
225.1	4.4	224.4	4.1	224.2	4.0	224.7	4.2	Annual	1984	
237.9	5.7	236.7	5.5	235.5	5.0	236.7	5.3	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		**I**	**1984**	**Actual**
7.7		7.5		7.6		7.7		II		
7.6		7.3		7.4		7.5		III		
7.6		7.2		7.4		7.3		IV		
7.8		7.3		7.4		7.2		I	1985	
7.7		7.4		7.5		7.2		II		
7.4		7.7		7.5		7.3		III		
7.2		8.1		7.6		7.4		IV		
		8.2		7.6		7.6		I	1986	
		8.1		7.6		7.9		II		
7.7		7.4		7.5		7.6		Annual	1984	
7.5		7.6		7.5		7.3		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

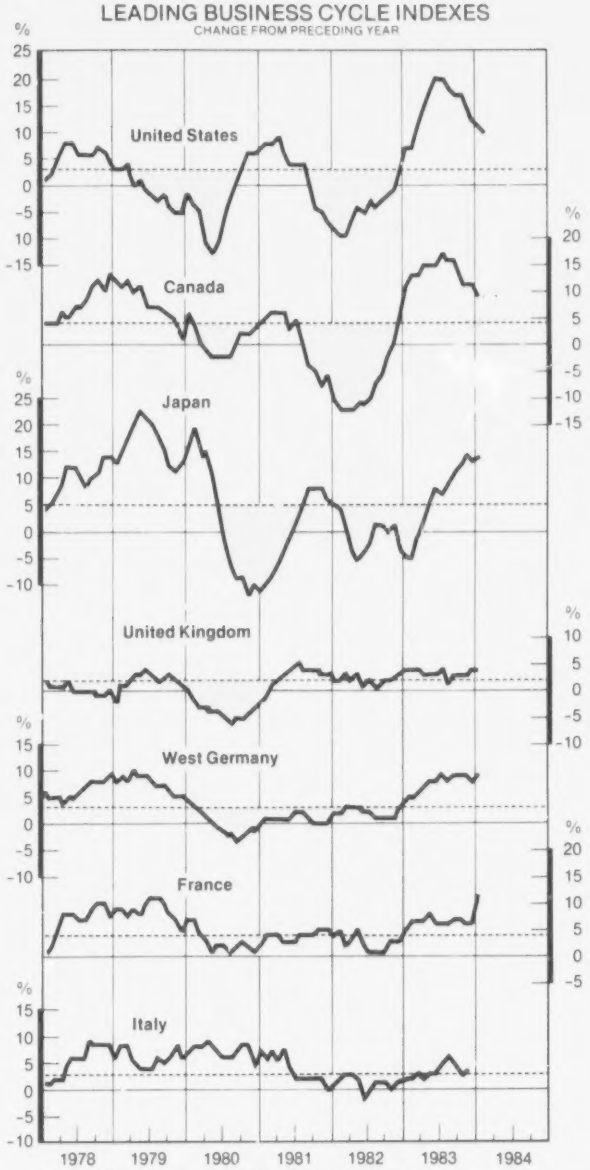
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

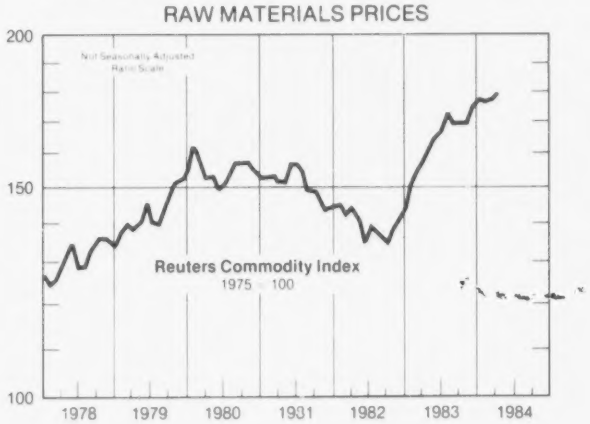
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

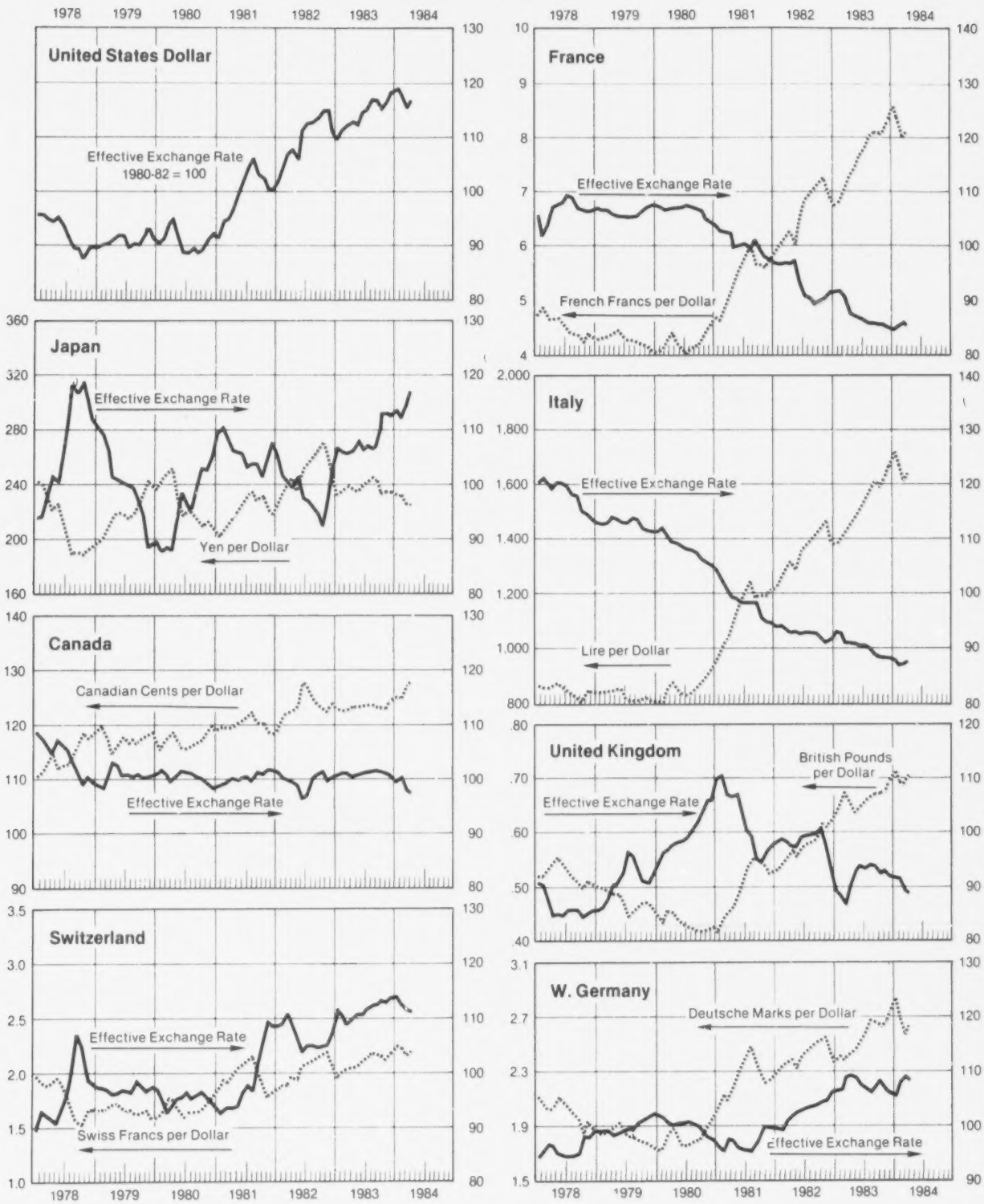
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



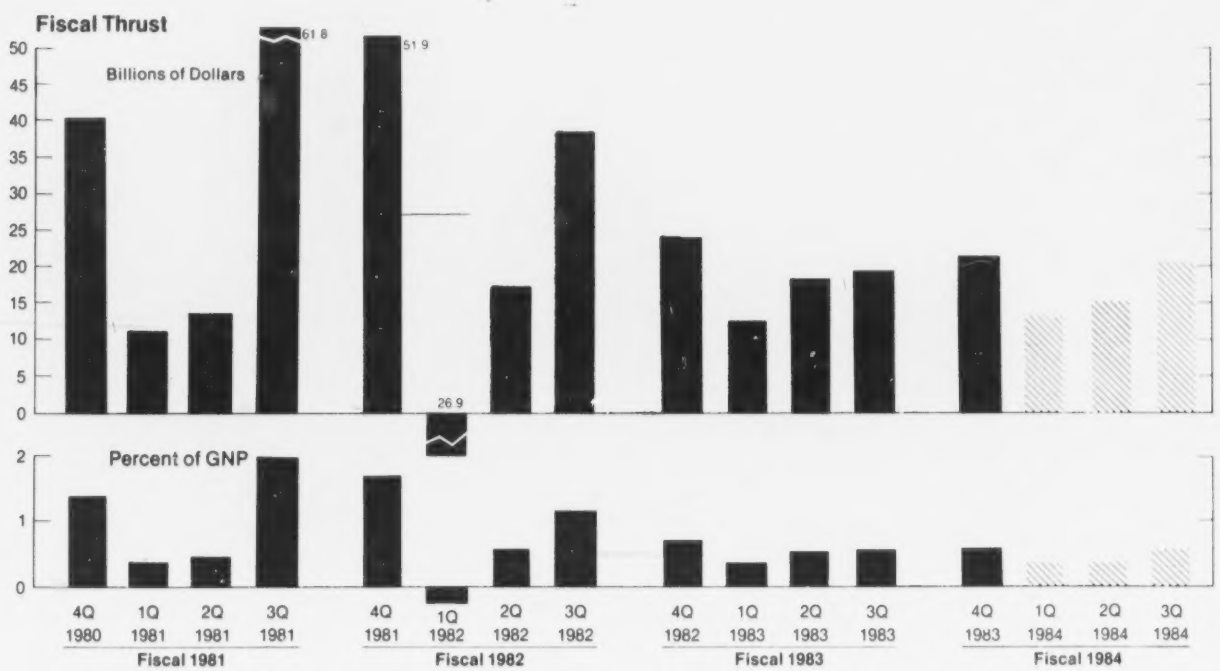
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

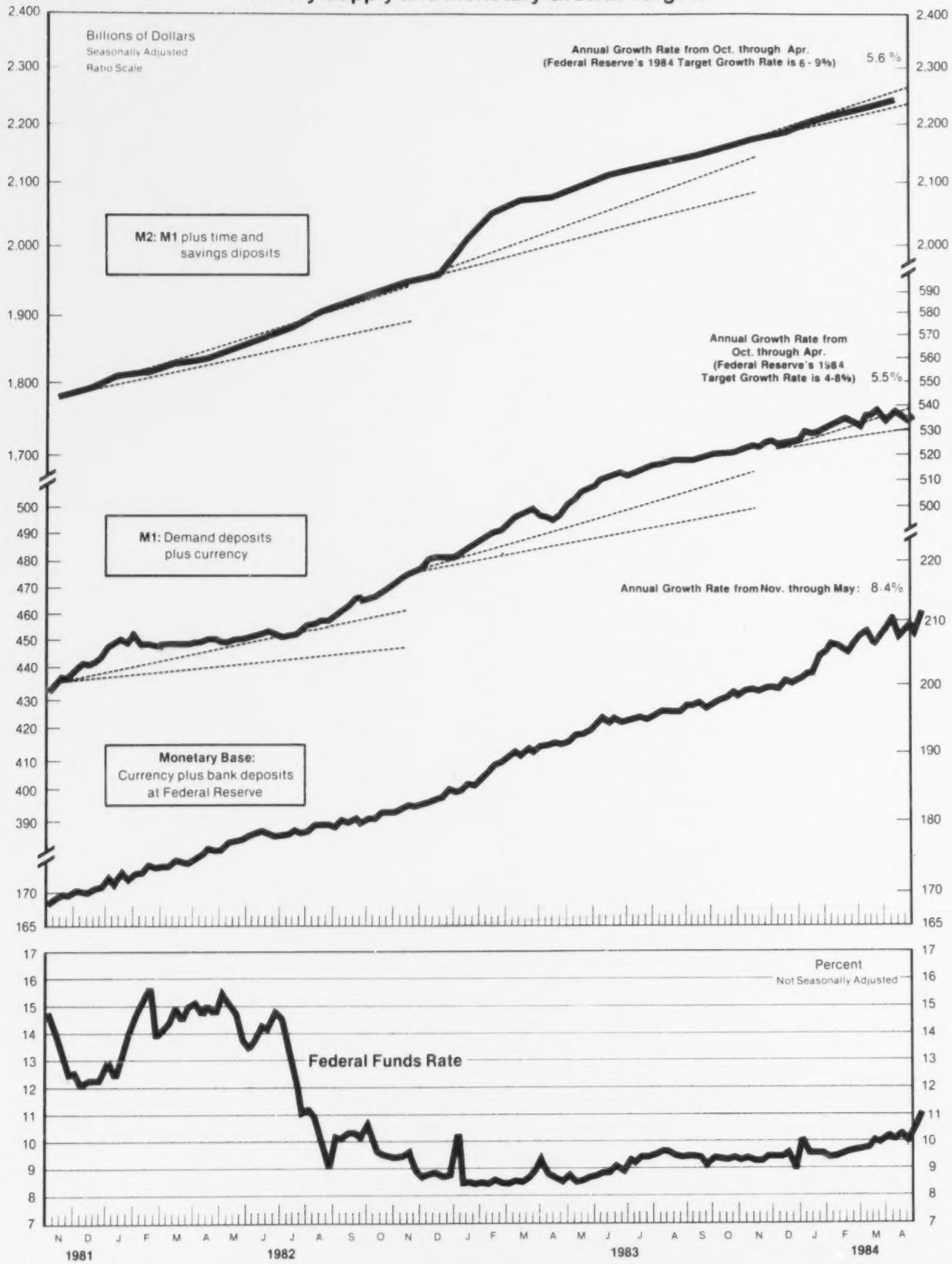
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(4/10/84)	(2/7/84)	(2/1/84)	(4/10/84)	(2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	-34.4	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



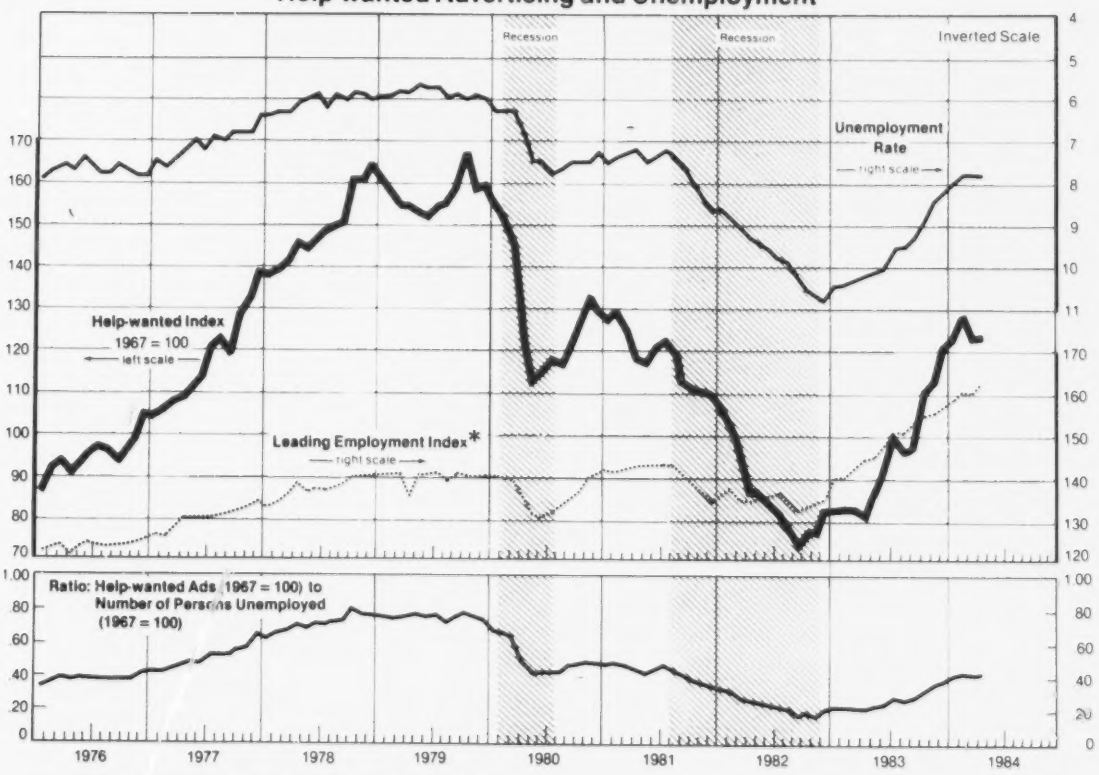
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Mar.	Feb.	Jan.	Mar.
Total Index 51 papers	124	129	123	83
New England	133	134	128r	89
Boston	151	153	145	103
Hartford	121	124	125	81
Providence	84	78	75r	51
Middle Atlantic	57	58	57	43
Albany	124	124	119	78
Allentown	123	141	151	87
New York	50	50	48	39
Philadelphia	49	52	51	37
Pittsburgh	52	56	55	45
Rochester	63	67	67	45
Syracuse	82	85	82	58
East North Central	71	76	70r	44
Chicago	90	92	81	42
Cincinnati	87	93	86	67
Cleveland	44	50	50	35
Columbus	91	102	103	72
Dayton	57	59	55	45
Detroit	53	52	50	35
Gary	83	99	95	85
Indianapolis	58	82	68	40
Milwaukee	50	51	51	33
Toledo	78	96	92	62
West North Central	73	78	76	46
Kansas City	94	100	98	64
Minneapolis	68	73	73	34
Omaha	114	111	114	83
St. Louis	54	60	55	37
South Atlantic	149	157	145	98
Atlanta	261	265	270	148
Baltimore	93	128	88	65
Charlotte	141	131	129	85
Jacksonville	195	173	166	142
Miami	94	86	83	72
Richmond	86	87	82	62
Washington, D.C.	151	162	147	102
East South Central	117	122	122	86
Birmingham	116	123	127	90
Knoxville	184	184	170	139
Louisville	61	67	69	50
Memphis	108	111	102	73
Nashville	155	161	176	110
West South Central	271	286	278	188
Dallas	389	416	386	224
Houston	343	352	358	250
New Orleans	129	140	127	105
Oklahoma City	117	150	156	122
San Antonio	201	193	186	145
Tulsa	137	139	143	105
Mountain	282	302	276	167
Denver	208	215	185	134
Phoenix	409	428	374	212
Salt Lake City	246	295	317	166
Pacific	186	188	181	125
Los Angeles	150	153	147	100
Sacramento	290	301	306	201
San Bernardino	146	158	165	101
San Diego	380	382	360	243
San Francisco	188	183	170	120
Seattle	185	186	182	146
Percentage of papers with rising volume	16%	63%	57%r	39%
Unemployment rate	7.8%	7.8%	8.0%	10.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5r	97.9p								

Buying Plans Index

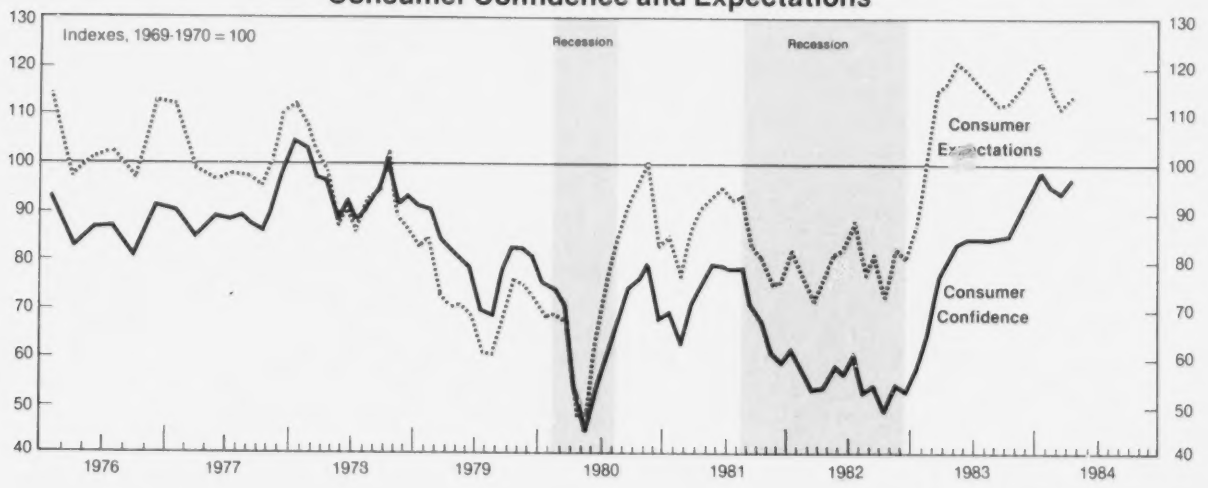
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9r	96.8p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

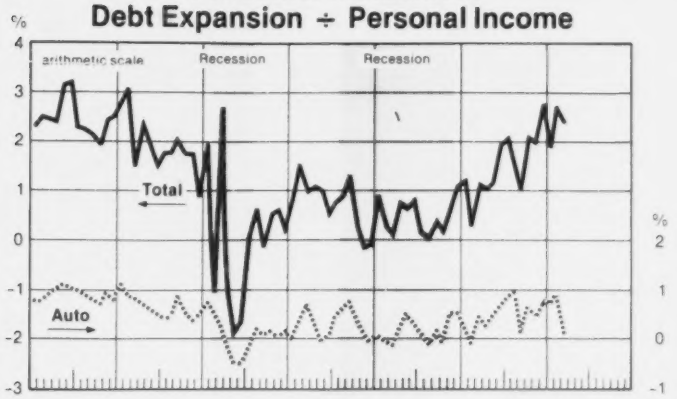
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

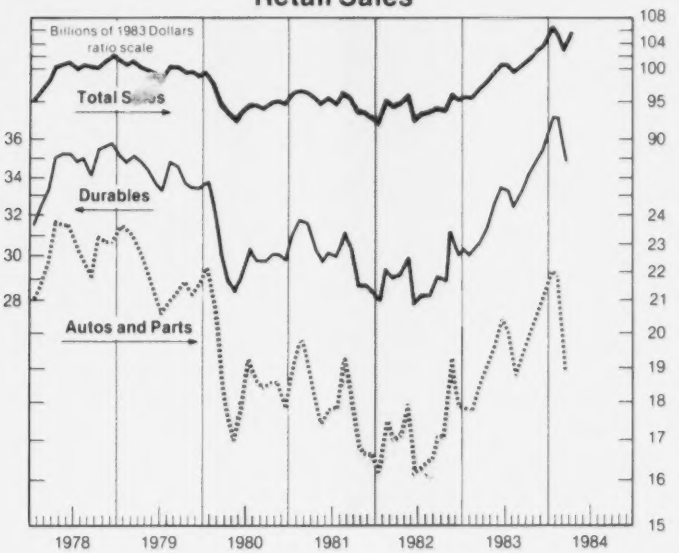
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



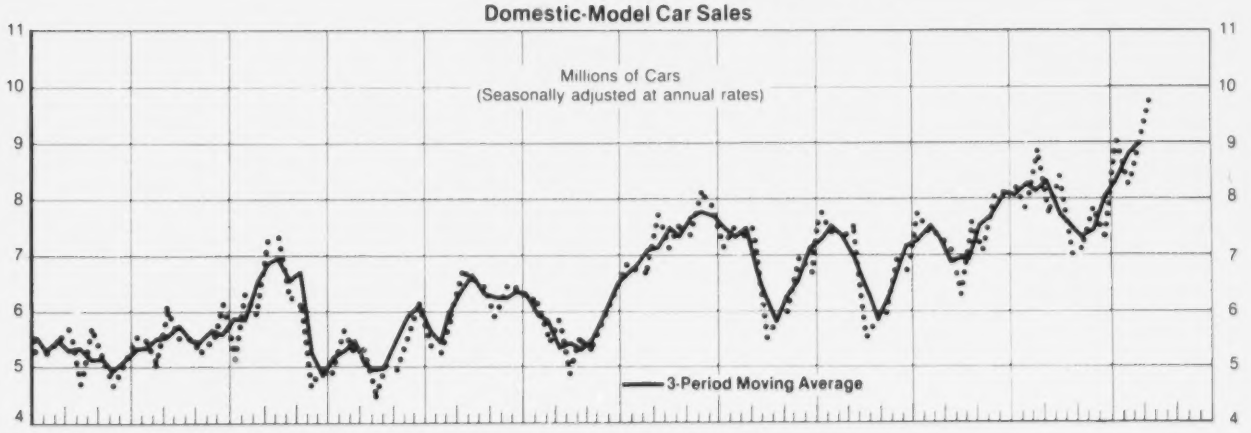
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales